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PROGRESS TOWARDS STRATEGIES FOR ENTERPRISE DEVELOPMENT

Note by the UNCTAD secretariat

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INTRODUCTION

1. The Commission on Enterprise, Business Facilitation and Development adopted agreed conclusions at its first session which contained a number of elements for the future work of the Commission. 1/ The Commission recognized the importance for developing countries, in particular least developed countries, and economies in transition, to develop enterprise strategies paying attention to such factors as:

- The changing and heterogeneous nature of enterprises and of international competition;
- The complex nature of the enterprise development process;
- The importance of a coherent policy environment; and
- The importance of the role of the State in creating an effective enabling environment and in facilitating an enterprise culture, market networks conducive to entrepreneurship, innovation, and inter-firm cooperation, both internally and internationally.

2. The Commission also recognized that further analytical work and policy research within UNCTAD would be needed in particular areas and took note of the proposals made in this regard, including:

- The respective roles of government and the private sector and the interactions between them in creating a coherent policy framework and setting up effective support measures and structures for the development of small and medium-sized enterprises (SMEs) and micro-enterprises;
- The possible value as well as the ways and means of promoting and facilitating effective inter-firm cooperation;
- The development of innovation, entrepreneurial and technological capabilities as essential inputs for the development and growth of enterprises; and
- The short and long-term impacts of macroeconomic reform and liberalization on the development and growth of enterprises.

3. The Commission made specific recommendations on steps to be taken in the immediate future. The present note seeks to provide information on the implementation of these recommendations. In particular, Part A describes the outcome of the Expert Meeting on Government and Private Sector Roles and Interactions in SME Development. The Commission is asked to react to its findings and recommendations. Part B presents in a succinct form a progress report of activities in the area of inter-firm cooperation so that the Commission can decide on future work. Part C deals with information on research bodies and other support agencies working in the area of enterprise development which might be constituted into a database to facilitate both better research and project design. Lastly, Part D contains information on cooperation between UNCTAD and other United Nations agencies and international

organizations in the area of enterprise development. Most international and bilateral organizations promoting enterprise development have been affected by budget cuts. Cooperation among organizations is thus increasingly being used to reduce duplication, facilitate synergy and complement individual programme activities.

A. Expert Meeting on Government and Private Sector Roles and Interactions in Small and Medium-Sized Enterprise Development

1. Background

4. Enterprise development is a dynamic and complex process, influenced by a large number of factors both at the macroeconomic level and at the level of the individual enterprise. Successful enterprise development is affected by a conducive economic environment in terms of the macroeconomic, regulatory and legal frameworks, the structural characteristics of the national economy, the degree of market development, the institutional framework, the infrastructural and human resource base and the quality and coherence of government policies. Similarly, entrepreneurs have to tackle many problems while they pass through different development stages from enterprise start-up to growth and expansion.

5. Consequently, policy makers face common challenges in promoting and strengthening local enterprises, although the specificities of enterprise development may vary from country to country. The discussion at the first session of the Commission on Enterprise, Business Facilitation and Development highlighted several questions or sets of issues that are common to many countries and which appear to be of importance for enterprise development. These issues include the role of the State in creating an enabling macroeconomic environment for enterprise development, the promotion of a policy dialogue between the Government and the enterprise sector, the development of domestic productive capacities, the stimulation of enterprise development through the removal of trade and technical barriers and the facilitation of transfer of technology, and issues related to the graduation of enterprises from the informal to the formal sector. 2/

6. Many of the issues raised by the Commission lend themselves to discussion among experts in intergovernmental bodies with a view to formulating concrete recommendations for the development of enterprises, particularly SMEs. Pursuant to the Commission's decision at its first session, the UNCTAD secretariat organized an expert meeting on "the respective roles of government and the private sector, including NGOs, and the interactions between them in creating a coherent policy framework and setting up effective support measures and structures for the development of SMEs and micro-enterprises, in particular those in least developed countries". 3/

7. The Expert Meeting took place in Geneva from 23 to 25 July 1997. Some 110 experts from 65 countries, as well as representatives from several United Nations agencies, other international bodies and NGOs, participated in the Meeting. The majority of the experts came from civil society and represented business associations, employers' federations, SME support agencies and other private sector organizations that have a stake in the development of SMEs. Stressing the important economic and social

contributions SMEs can make to the effective functioning of the market economy, as well as to employment generation, growth and development, the experts adopted a set of recommendations to be submitted to the Commission on Enterprise, Business Facilitation and Development. 4/

8. The deliberations at the expert meeting focused on four major issues: (i) channels for Government-private sector dialogue; (ii) policy coherence for SME development; (iii) SME support mechanisms and agencies; and (iv) the role of professional organizations in Government-private sector dialogue and SME support. A few key questions raised and lessons learnt from the discussions are presented in the following sections.

2. Main points of the discussion

(a) Channels for Government-private sector dialogue

9. Globalization and liberalization, facilitated by rapid progress in information and communications technologies, are the dominant trends in the global economy. Their economic impact radically changes the relationship between the Government and the private sector. As a result, economies have become more market-oriented and enterprises play an increasingly important role in the development process. Conversely, the role of the Government is progressively shifting from direct economic intervention towards the creation of an enabling environment to facilitate the establishment and expansion of private enterprises.

10. The redefinition of the role of the Government in economic development includes, inter alia, the need for a meaningful and substantive dialogue between the Government and the private sector on policies, measures and actions for the promotion of small and medium-sized enterprises. In this context, intergovernmental discussion and the exchange of national experiences ranged from straightforward issues, such as the form and objectives of government-private sector dialogue and the need for a balanced representation that also includes SMEs, to more complex questions, such as which mechanisms have proved to be successful, what results have been achieved, why have some forms and structures been successful in some countries while they did not work in others, what are the lessons that may be drawn regarding the effectiveness of such dialogue and, most importantly, can successful experiences be replicated when national conditions differ?

11. During the Expert Meeting, these issues were explored and some common positions were reached. There was a broad consensus on the need for government-private sector interaction to promote enterprise development, as well as on the need for the Government and the private sector to work in partnership. In fact, in several countries, formal mechanisms of government-private sector interaction have been in existence for long periods and proved their usefulness.

12. The diverse arrangements for conducting this dialogue include consultative councils, government-private sector boards, joint government-private sector seminars, workshops, and other government-private sector forums. In Mauritius, for example, a three-tier system has emerged over time which is based on sectoral associations, core national bodies,

including chambers of commerce and professional associations, and a Joint Economic Council at the apex acting as a spokesman of the private sector in the highest policy-making bodies. During regular and well prepared meetings, including with senior ministers and the prime minister's office, the broad parameters for government-business cooperation are established, thereby creating transparency and a climate of confidence and trust. In Hungary, efforts are under way to create an Entrepreneurship Development Council on which representatives from ministries, chambers of commerce, business associations and individual experts will serve with a view to advising the Government on creating enabling commercial and legal frameworks for SME development. In Romania, the consultative councils will also invite foreign investors to participate in their deliberations. Through this exchange of experiences it became clear that in order to achieve its objectives, the government-private sector dialogue needs to be not only structured but also transparent and continuous, while its agenda should be practical and operational.

13. Experts also stressed that such a policy dialogue needs to be conducted at all levels of government, as well as by economic sectors. The discussions highlighted the need for interaction particularly at the local level, where the implementation of enterprise policies and the delivery of support services take place.

14. Another key lesson that may be drawn from the discussions is the need for a balanced representation of all sectors of the business community, including SMEs, in the policy dialogue. All types of SMEs need to be represented so that they can constitute the true voice of small business which can easily be identified by the Government. A dialogue that is dominated by large firms, which often also have strong political connections, risks losing sight of the specific needs and interests of SMEs. In this context, the pros and cons of umbrella organizations vs. specialized organizations for SMEs need to be taken into account. Experiences in countries such as Egypt and Australia have pointed to possible conflicts of interest between large firms and SMEs within umbrella organizations. Based on such lessons, the foundation of genuine and effective SME associations appears to be advisable, and this would also allow such associations to strengthen their bargaining power and to maintain their integrity vis-à-vis their constituencies. Other suggestions highlighted the potential advantages of SME groupings based on specific interest, economic sectors or geographical location over umbrella organizations. On the other hand, there have also been experiences showing that SMEs constitute the overwhelming majority in umbrella business organizations. This could facilitate the presentation of issues relevant to SMEs in the government-private sector dialogue. In other instances SMEs have been able to establish effective subcommittees within umbrella organizations. The advantage of remaining in an umbrella organization is the ability to harmonize opinions, take joint action and avoid presenting the Government with conflicting views on issues isolated from the rest of the business community.

(b) Policy coherence for SME development

15. Until recently there has been a lack of awareness of the need for coherent policies for SME development. An appropriate national policy framework for SME development would encompass coherence at several levels. At

the first session of the Commission, discussion of policy coherence focused on the macro and micro levels. However, policy coherence is needed at other levels or stages, including at the federal and local levels and at the national and international level and during policy design and implementation. However, due to the complexities involved, efforts to design such a comprehensive national policy framework have rarely been attempted. The experts identified the different levels at which policy coherence needs to be achieved and exchanged experiences on measures and structures for attaining it.

16. While a regular and effective government-private sector dialogue is essential for the creation of a coherent policy framework for enterprise and SME development, policy coherence implies not only the design of coherent policies but also clarity and consistency in their implementation. However, this is a complex and comprehensive process, which needs to involve both the Government and the private sector.

17. Policy coherence implies the creation of a favourable overall policy framework for the development of all enterprises and entrepreneurship. Such a framework contributes to the fostering of confidence among economic actors, including foreign investors, in the management and evolution of the economy and reduces commercial, financial or investment risks associated with unexpected or excessive tax, interest-rate or currency movements. Such conditions, together with fiscal incentives and financial market regulations, will help to mobilize savings, develop financial institutions and markets and encourage investment. Thus, policies which have a bearing on entrepreneurship and the development of enterprises, such as policies relating to macroeconomic stabilization and functional issues such as taxation and business-related regulations, will need to be consistent with sectoral and firm-level policies to develop new capacity or to achieve and maintain firm-level competitiveness.

18. The achievement of policy coherence in the interest of enterprise development may sometimes lead to conflicts with other policy goals, thus distracting from the principal objective of SME development. For example, local measures for enterprise development may not be in line with national or regional development strategies and vice versa, and austerity measures that may be necessary to maintain macroeconomic stability have an adverse effect on the availability of credit facilities for enterprises. Similarly, the provision of government-funded support services to enterprises may compromise, at least temporarily, budgetary discipline. Such conflicts could be resolved by careful policy analysis and policy design. For instance, policies that entail additional spending on SME development can be justified by additional tax revenue that would be generated by a flourishing enterprise sector. In this sense, the Government of Egypt is planning to grant tax exemptions to banks which provide loans to SMEs.

19. Policy coherence needs to occur in several other main areas, such as between and among public and private sector support services and programmes and between government authorities involved in SME development at different levels. Moreover, in creating a coherent policy framework for SME development, Governments also need to take into account obligations emanating from binding international agreements that have an impact on the nature and the design of enterprise policies and support measures.

(c) SME support mechanisms and agencies

20. There is broad agreement on the need for support mechanisms and business development services for the promotion of SMEs. While there is much information on the types of support agencies and services established, there is little knowledge of how effectively they function. In addition, there is the issue of "subsidiarity" or who can do what best at different levels of government and among various service providers. What mechanisms have been developed to take into account the special needs of women and emerging entrepreneurs? Some Governments have established SME support agencies within government structures - what are their main functions? How effective have these agencies been as channels for a two-way flow of information between government and SMEs? What are the pros and cons of a centralized agency versus a multi-agency approach? What other structures might effectively serve such a purpose? Since the provision of development services to enterprises can be costly, mechanisms for the long-term financial sustainability of such services and related agencies are increasingly important. What experience has been acquired concerning, for example, user fees, scaled fees, voucher programmes and other cost-recovering mechanisms? Since various support services can also be provided on a commercial basis, what is the role of the private sector in providing such services? In addressing these questions, the experts arrived at a number of valuable conclusions.

21. SMEs need a variety of services and assistance for their development, both during the start-up phase and during later expansion phases. In addition to financial services specifically tailored to the needs of SMEs, they also need assistance in areas such as management and skill development, technology transfer, counselling, marketing, and collecting and assessing market information. Support services can be, and in actual practice are, provided by both the public and the private sector.

22. While many SME support services, including leasing of equipment, legal and accounting services, marketing, etc., could be commercialized, the Government retains a prominent role in the provision of business support programmes and services, particularly for business start-ups, as well as with regard to financial support, contact services, general advice and information, and basic managerial and vocational training. However, even for the latter services, user fees may be charged to cover fully or partially their cost, thus prompting market reaction signalling the usefulness of these services and contributing to the sustainability of their delivery.

23. Whether business support should be demand- or supply-driven was discussed in the context of improved support service mechanisms. The consensus was for demand-driven support, leaving room, however, for supply-driven support in situations where enterprises are not aware or informed about existing programmes or the potential benefits that could derive therefrom.

24. In addition to a more demand-driven approach in SME support agencies and programmes, comparative advantages of different service providers could be better exploited by strictly adhering to the principle of subsidiarity, which would determine the role of SME support agencies on the basis "who can do what best". Horizontal (or functional) subsidiarity would help define a new

division of labour in providing support services between the Government (i.e. the administration, as well as government agencies and institutions), civil society, including non-profit organizations, foundations, membership organizations and other NGOs, and individual enterprises, including their self-help organizations. Vertical (or territorial) subsidiarity could contribute to a better demarcation of responsibilities, and hence accountability, of support agencies at the central, regional and local levels.

25. Experts stressed the importance of the critical role of professional associations for SME development. Professional associations can act as both efficient providers of specialized support services and as an effective lobby for SME interests. The role of professional organizations may particularly increase when government intervention diminishes over time with the strengthening of private support agencies.

3. Implications for future work

26. The Expert Meeting was part of a longer-term intergovernmental process addressing issues related to the formulation and implementation of enterprise development strategies. The experts adopted detailed recommendations for Governments and for activities undertaken within UNCTAD. 5/ The recommendations to Governments could lead to concrete action on their part to promote SME development. Concerning recommendations to UNCTAD, the secretariat is currently studying the proposals made. In order to sharpen the focus of such deliberations at UNCTAD, further consideration and guidance are needed, particularly with regard to the direction of and priorities in policy analysis, the exchange of national experiences, and related technical assistance and advisory services.

27. An issue that both delegates and experts at the first meeting of the Commission and at the Expert Meeting recurrently felt would merit further examination was the possible value as well as the ways and means of promoting and facilitating effective inter-firm cooperation, including clustering, networking and technology partnerships, between and among SMEs, as well as with larger enterprises. The next section of this paper attempts to highlight relevant aspects which have emerged from the secretariat's preliminary overview of the role of networking, clustering and partnerships in SME development.

B. Progress report on activities in the area of inter-firm cooperation

1. Background

28. The Commission at its first session recognized that further analytical work and policy research within UNCTAD will be needed on the ways and means of promoting and facilitating effective inter-firm cooperation, including clustering, networking and technology partnership, both domestically and internationally, as an instrument in fostering the development and competitiveness of enterprises. The Commission requested that the secretariat begin analytical work and policy research on this item and recommended that it start with an overview of the work already done. 6/ The following sections contain in a succinct form the main findings of the overview.

2. Global trends

29. International collaboration agreements among firms have become increasingly prominent. This collaboration has taken different forms in different contexts, ranging from strategic alliances to technology partnerships, growth triangles, incubators, clustering, "knowledge networks", licensing and franchising. Inter-firm cooperation is undertaken for a variety of purposes: sharing know-how, joint action, building technological capacities, taking advantage of local marketing skills, decentralizing to be closer to local markets, building user-supplier networks, and taking advantage of "knowledge spillovers" through spatial proximity. What is new is the speed at which inter-firm cooperation has increased since the 1980s and the degree to which this has happened on a basis that is more and more cross-national in nature. This development is particularly significant in industrialized countries and advanced developing countries. According to an OECD study, "most of the industrialized countries are already deeply enmeshed in globalization and are taking steps both to maximize its benefits and to ease adjustments it demands. Enterprises themselves take a leading role in the integration process. There are, however, differences in the ability of developing countries' enterprises to face the challenges of global economic integration". 7/ Thus the firms from the so-called Triad countries (the United States, the European Union and Japan) account for a majority of the agreements concluded during the period 1990-1995. Developing country firms are, however, also increasingly participating in such agreements. Their share in international inter-firm alliances, increased from about 440 in 1990 to about 2,120 in 1995. Over the same period, however, the share of Central and Eastern European firms decreased by half. 8/

30. The significant growth that has taken place in inter-firm alliances is particularly notable in the area of information technology (IT). Newly industrialized countries and transitional economies account for a major proportion of the IT alliances involving non-OECD countries. The majority of alliances of non-OECD country firms have involved the generation or exchange of technology, understood to include tacit knowledge concerning best practices in management, marketing and the organization of production, as well as knowledge embodied in software, machinery and equipment, and are in the areas of telecommunications and computers. Contractual agreements, joint ventures and equity investments are the predominant forms of these alliances. Some firms from developing countries have gained significant benefits from these strategic partnerships, not only in terms of accessing more advanced technologies but also in strengthening their capacity to develop such technologies on their own. Firms from industrialized countries are interested in entering into such alliances in order to gain access to markets, low-cost production sites and low-cost technology development sites in the developing world, as well as to spread the costs and risks of innovation.

3. Forms of inter-firm cooperation

31. *Clusters* of firms may or may not involve formal partnerships between spatially proximate firms. They are thought to facilitate access to externalities/public goods such as water, electricity, and the right kind of labour force. Other effects of clustering have been identified, for example "emulation", "tacit knowledge transfer" and lower transaction costs as trust

builds up and/or through the ease of transaction that comes from "social proximity". 9/ A cluster, grouping a number of small enterprises, can have two organizational objectives. The first is a geographical one; having a cluster of enterprises within close proximity facilitates the production process, especially in cases where the firms are producing the same goods, by allowing for a strategy of labour division. The second objective and possible end-result of this cooperation is that firms producing the same goods and clustered together may compete with larger enterprises, for example, in a consortium. Clusters characterized by this division of labour can be defined as *industrial districts*, which are locally coordinated and articulated economic systems, normally specializing in one product and supported by local government authorities through policy dialogues and support structures. Thus, firms in such clusters benefit from both the division of labour and the externalities of spatial agglomeration. 10/ Most research on clustering has dealt with clusters of various sorts in developed countries. Far less is known about existing clusters in the developing world, for example Nnewi (Nigeria), Bangalore (India) or Minas Gerais (Brazil), or of the conditions that have made it possible to sustain the growth of innovativeness of firms there.

32. *Networking* is most often used to describe arms-length interactions between firms, such as international production or distribution networks. It includes interaction across a value chain without the necessity of having either formal links or equity participation and does not require proximity. Both networks of small firms and international production networks organized through subcontracting and/or foreign direct investment (FDI) by transnational corporations (TNCs) are included in this category. These networks enable firms to share risks and costs and to access markets. Reduction in production and transaction costs, as well as considerations of market penetration and market power, are thus key elements in the firm's decisional matrix. Networking links small, medium and large enterprises by an exchange of information (for example of a technological or marketing nature), commercial relationships (between suppliers and customers) and competition relationships in order to develop a responsive organization or production system. The main characteristic of a network is that it does not require geographical proximity to be efficient: it can link firms whose activities are distributed around the world. Yet the extent to which networking is or can become an effective means of promoting technology transfer and capacity-building in the South is little known. 11/

33. Inter-firm agreements taking the form of *strategic partnerships*, with or without equity, exist at all stages in the value chain, from R & D through production to marketing/distribution. Traditionally such agreements were one-way - as in licensing agreements or franchising. More recently, two-way partnerships have also emerged. They are designated "two-way" because they involve knowledge production and sharing as in R & D partnerships or modularized production where those producing the modules share in the design of component parts of the final product or joint marketing. Partnerships of this sort involve risk and cost sharing and considerations of market access and power. They also imply mutuality, in the sense that beneficial contributions emanate from both partners, meaning that they have something important to offer to each other. They have the advantage of ensuring greater flexibility to respond to change and stimulate innovation through

interaction. 12/ Data from UNCTAD's World Investment Report 1997 show increased participation by firms from developing countries in strategic partnering activity. As this is a very recent phenomenon, little work has as yet been done on the factors encouraging the formation of such alliances and the benefits derived from them. The contribution of investment, R & D, innovation and fiscal policies to this process among firms in developing countries and between firms in the North and the South is also under-researched.

4. Policy issues

34. Inter-firm cooperation takes place largely due to the initiative of firms themselves, driven by market forces. However, such cooperation becomes viable only when the *policy environment* is conducive. This section deals with policies that foster and sustain inter-firm cooperation in different forms (e.g. clusters, networks, and strategic partnerships). Such policies become effective in stimulating the benefits of inter-firm cooperation when enacted and implemented at different levels in a coordinated manner. These different but interlinked and often overlapping levels are: (i) the Government (macro level); (ii) intermediaries (meso-level) e.g. chambers of commerce and industry, regional governments, universities, etc.; and (iii) enterprises (micro level).

35. When discussing policies or policy implications of inter-firm cooperation, the most important factors are the consistency and stability of policies and the Government's decision to retain the chosen policy framework. Sudden and unforeseen changes that are inconsistent with past policies can be a threat to decisions which need a long-term perspective. The *macroeconomic framework* has a significant effect on local partners as well as foreign enterprises in decisions relating to inter-firm cooperation and industrial development. It is possible to claim that enterprises with already satisfactory levels of managerial, marketing and technological capabilities are attractive partners for inter-firm cooperation and, in turn, they are likely to be able to benefit more from the opportunities that collaboration offers. 13/ Government policies may therefore focus on building up such critical capabilities among domestic enterprises, and such policies include the provision of incubator facilities, as well as financial and other guarantees on behalf of domestic enterprises seeking to participate in global alliances.

36. Macroeconomic policies often influence the behaviour of enterprises through their effects at the *meso-level* of specific industries' regions and areas. Various types of institutions, situated at an intermediate level between the macroeconomic framework and individual enterprises can contribute to the creation of inter-firm cooperation by assisting in bringing potential partners together, disseminating information, and building the mutual confidence necessary for any agreement. Institutions at the meso-level, such as trade associations and regional governments, play an important role in many nations in funding and even creating specialized research institutions. Other institutions that might play an important meso-economic role and promote strategic partnerships are non-governmental organizations, acting as an

institutional mechanism to increase the level of mutual confidence among partners and at the same time supplying a variety of real services, training and technical assistance. 14/

37. Under today's circumstances, where technologies are changing rapidly and shortening product life cycles, innovation has become a key competitive strength. However, the development of new technologies increasingly requires diversified inputs from several different disciplines. It is becoming difficult for a single firm to muster all the resources required to be innovative and competitive in the global markets, and firms are therefore aligning themselves with others, including competitors, with complementary capabilities or resources. Such complementary resources could be in innovation, organizational or marketing knowledge, research and development, and finance. Hence, to be able to participate in inter-firm alliances, firms need to possess some initial strength. Provision of venture capital to newly emerging innovative firms may also attract international firms to collaborate with domestic firms.

5. Need for research and policy dialogue

38. As UNCTAD's overview indicates, most of the research conducted so far on inter-firm cooperation (clusters, networks and strategic partnerships) has been carried out from the perspective of developed countries. It would now be important to bring in the perspective of developing countries and transition economies through studies of clusters (industrial districts/technology parks), networks and strategic partnerships (between firms in the same country, as well as between domestic and foreign firms) in developing countries and transition economies to understand the driving forces, processes and results of such inter-firm cooperation.

39. In this respect it would be useful if the experiences gained by firms involved in inter-firm cooperation, networking and clustering were discussed and shared among interested actors and practitioners from different countries, including a wider range of firms as well as representatives of Governments from developing countries and countries in transition, with a view to promoting the exchange of experience and furthering the development of this cooperation as part and parcel of national innovation systems.

C. Information on research bodies and other support agencies working in the area of enterprise development

40. The Commission on Enterprise, Business Facilitation and Development, at its first session, requested a background note on information available on research bodies and other support institutions working in the area of enterprise development that might be constituted into a database, accessible, *inter alia*, via Internet. Such information could facilitate better research and better project design. Information was solicited from 19 United Nations organizations and agencies and other organizations engaged in enterprise development. The most relevant databases are described below.

International Labour Organization

41. Information on ILO activities, publications and databases is accessible through the Internet at the address http://www.ilo.org. ILO has two databases of particular relevance to enterprise development which are managed by its Enterprise and Co-operative Development Department.

42. **INSTEAD** is the Information Service on Technological Alternatives for Development, which disseminates information on food processing, agricultural tools and implements, building materials, energy, and handicrafts in wood, leather, textiles, and metal, etc. Information may take the form of ILO technical publications, bibliographies, catalogues, reports, articles, and lists of addresses of institutions and of equipment suppliers or manufacturers, and is provided free of charge to developing countries. INSTEAD is a subset of LABORDOC, which is a database of the majority of the ILO library's holdings and those of the ILO's specialized documentation centres.

43. **INTERMAN** is the International Management Development Network, closely connected with ILO's Entrepreneurship and Management Development Branch. INTERMAN links leading management development centres and enterprises in over 72 countries, including all major regional associations worldwide. Among other things, it promotes the exchange of management experience across regions, as well as the development of strong management institutions in LDCs. Membership is open to private and public enterprises and management development institutions, schools and centres, as well as development agencies, foundations, etc.

World Bank

44. The World Bank has several databases relevant to enterprise development and is also one of the sponsors of the Enterprise Development Website (ENTERWeb).

45. **ENTERWeb** is a master index of databases and websites relating to enterprise development at the address http://www.enterweb.org. The site is sponsored by a number of organizations, including the World Bank. It is an annotated meta-index and information clearing house on enterprise development, business, finance, international trade and the global economy. Its main focus is on micro, small and medium-scale enterprises, cooperatives, and community economic development, in both developed and developing countries. ENTERWeb lists and rates Internet resources in these areas, and complements search engines by providing short cuts in identifying important sources of information.

46. The primary objective of ENTERWeb is to provide to enterprise development practitioners, policy makers, academics and small business owners an annotated list of Internet resources giving substantive information on enterprise development topics, including finance and credit, technology and technology transfer, training and advisory services, entrepreneurship development and incubators, community economic development, education and

vocational training, marketing and trade, donor activities, discussion groups, international business research, women and enterprises, conferences and seminars, etc.

47. **Fundline,** at the address http://www.worldbank.org/html/fpd/psd/fundline, is a database managed by the World Bank to facilitate communication between potential equity investors and enterprises in Eastern Europe and the former Soviet Union. Fundline includes portfolio investment funds, private equity funds and companies, venture capital funds, mutual funds and other equity vehicles.

48. **TechNet**, at the site http://www.worldbank.org/html/fpd/technet/indicato.htm, lists a set of science and technology indicators. TechNet is designed to encourage understanding and promote the use of science, technology and information in development.

International Trade Centre UNCTAD/WTO

49. The ITC prepares and publishes the *World Directory of Trade Promotion Organizations and Other Foreign Trade Bodies*, which is intended to provide developing countries with a reference book of useful addresses that will help establish contacts with, and encourage a direct flow of information among, bodies responsible for facilitating and promoting international trade. The Directory is also available on diskette.

50. The ITC's recently launched International Competitiveness Programme for SMEs (ICPS) will meet the technical assistance needs of SMEs in developing countries and economies in transition through the Network of National Multiplier Organizations in the private and public sectors. Typical multiplier organizations are trade training institutions, chambers of commerce, business associations, SME development agencies, export promotion councils, trade points, private sector consulting and training agencies and development finance institutions. The Programme will work closely with these multiplier organizations by putting in place an interactive network of agencies through which a number of technical assistance products and services such as learning tools, diagnostic tools and practical guides will be disseminated directly or indirectly to enterprises in the interested country or region. The network will be open to participation by all interested agencies subject to a minimum assessed level of competence, commitment and credibility.

Future action on databases and networking

51. At the Expert Meeting on Government and Private Sector Roles and Interactions in SME Development, the experts requested that UNCTAD set up a network of institutions and individuals who had attended the meeting. It would be possible to create an interactive website where UNCTAD's Enterprise Development Branch could provide updates on:

- names and addresses of experts working in SME development;

- UNCTAD's activities and programmes on SME development, including relevant activities of the Commission on Science and Technology for Development.

52. The website could also provide a forum for continuous discussion of enterprise development strategies, including issues raised during various expert meetings requested by the Commission. From the review of existing databases, it appears that there is no need for UNCTAD to create another "general" database on SMEs. However, a directory of such databases would be useful and could also be included on the web.

D. Cooperation between UNCTAD and other United Nations agencies and international organizations in the area of enterprise development

1. General

53. Enterprise development is an area in which a number of United Nations agencies are actively supporting developing countries through policy advice and technical cooperation. For a number of years UNCTAD's Enterprise Development Branch has been coordinating its technical cooperation activities in enterprise development with ILO's Entrepreneurship and Management Development Branch and UNIDO's Small and Medium Enterprises Branch, as well as cooperating closely with the Department for Development Support and Management Services (now part of the Department of Economic and Social Affairs) in the joint implementation of the EMPRETEC Programme. Inter-agency cooperation has become a notable feature of UNCTAD activities for the promotion of SMEs, entrepreneurship and private sector development and diversification. During the past year UNCTAD has had extensive contacts with a number of other international organizations working in the field of enterprise development. These contacts have taken three main forms: information sharing, coordination and joint activities and/or projects. In most cases the organizations concerned have concentrated on cooperation benefiting LDCs. Such cooperation is crucial if technical assistance is to be effective, given the reduced resources available to most international organizations. Joint projects reduce resource demands on each organization while producing useful synergies and avoiding duplication.

2. Information sharing and coordination

54. Briefing meetings have been carried out with: ASEAN, CARICOM, DESA, ECA, ECE, ESCAP, EU, IDB, ILO, ITC, OAS, OECD, UNDP, UNIDO, and the World Bank. At these meetings, programmes were described in detail, views exchanged on the relevant issues, areas of mutual interest identified and joint activities planned. During the year, a number of meetings were held on SME development, and UNCTAD attended those meetings held in Geneva and Paris (ILO Annual Meeting, Committee of Donor Agencies for SME Development, OECD Conference on Women Entrepreneurs in Small and Medium Enterprises); UNCTAD also attended and presented a paper at the Tenth International Conference of Small and Medium Enterprises, Florida, sponsored by the World Association for Small and Medium Enterprises. Budgetary constraints, however, prevented UNCTAD from attending other meetings outside Geneva.

3. Joint activities

55. There have been a number of joint activities, such as joint missions, joint workshops, and field projects:

- ECE: A joint ECE/UNCTAD Task Force has been created to coordinate activities in enterprise development. The Task Force has decided to focus its cooperation on countries in transition such as Albania, the former Yugoslav Republic of Macedonia and southern CIS countries. ECE representatives participated at the recent Expert Meeting on Government and Private Sector Roles and Interactions in SME Development.

- ILO: The June Annual Meeting focused on SMEs and employment creation. The Chairperson of the session dealing with this topic also served as an invited resource person for the Expert Meeting on Government and Private Sector Roles and Interactions in SME Development, thus ensuring that there was a bridge between these two events. ILO also prepared a paper for the Expert Meeting and participated actively in the discussions, particularly on donor coordination.

- UNIDO: A joint communiqué on cooperation agreed between the two organizations was issued on 3 April 1996. Periodic meetings have since been held on more effective coordination. Concrete work undertaken by the two organizations includes a pilot project to prepare country profiles for investment in selected African countries; organizing international business conferences for African countries; and seeking to strengthen ties between private sectors in African countries and other regions to disseminate scientific and technical information. Cooperation has been extended to investment guides for LDCs, and investment policy reviews have been conducted jointly. In the area of investment promotion, UNIDO and UNCTAD were the joint hosts for an international conference on privatization and investment held in Geneva in which 200 businessmen participated along with Uzbek government officials. UNCTAD and UNIDO are jointly assisting the Uzbek Foreign Investment Agency at present. UNCTAD is also currently helping UNIDO prepare for the second investment forum for Uzbekistan to be held in Vienna later this year. UNIDO participated in both the recent meetings of WAIPA and in the expert meeting on SMEs mentioned above.

- OECD: UNCTAD recently participated in the OECD meeting on women entrepreneurs. Active cooperation in the field of accounting for enterprise development in the CIS has been going on since 1991; this year UNCTAD provided the background documents and resource persons on accounting for non-bank financial institutions (pension funds, insurance funds, investment funds) for the annual meeting of government representatives in charge of setting accounting standards. At the request of OECD, UNCTAD has created a working group on audit questions and has organized two meetings of this group. This fall, UNCTAD will provide the background documents

on accounting for SMEs for the annual meeting of CIS standard-setters. UNCTAD also writes a column on international coordination in this field for the OECD newsletter, "Accounting Information Network in the CIS".

- UNDP: UNDP has funded enterprise projects in the area of accounting reform in Azerbaijan and Uzbekistan.

- Committee of Donor Agencies for Small Enterprise Development: UNCTAD has been an active participant in the Committee of Donor Agencies for SME Development and attended its April session. Members of the Committee also attended UNCTAD's Expert Meeting on SMEs. Coordination among donors and international organizations was discussed at the Expert Meeting, and the Committee has recently written guidelines for donor-funded interventions in the area of business development services.

- European Commission: The Secretary-General of UNCTAD has maintained constant contact with the EC. The EC has become a major donor for UNCTAD's technical cooperation activities, including activities in the area of enterprise development.

4. Technical cooperation

56. UNCTAD's EMPRETEC programme on entrepreneurship and small and medium-scale enterprise development aims at stimulating employment-creating investment, technology transfer and export diversification through the training of indigenous entrepreneurs and the development of innovative SMEs. The programme, jointly implemented with UNDESA, is presently operational in 12 Latin American and African countries and has for many years cooperated with UNDP. In recognition of this successful collaboration, UNCTAD has been identified as a lead organization in expanding the EMPRETEC model to 10 new African countries under an initial phase of UNDP's Enterprise Africa project and in further developing the IDRC-UNCTAD network of Centres for Innovation and Enterprise Development (CIEDs), currently in its pilot phase.

57. UNCTAD is also cooperating with the CARICOM Secretariat, the Caribbean Council for Science and Technology, OAS, and UNDP in launching an EMPRETEC Caribbean regional programme. Building on the lessons learnt from implementing the EMPRETEC programme over 10 years, UNCTAD has developed an expanded programme for which elements will be designed and implemented in close collaboration with other international institutions, including ILO, ITC, UNEP, and UNIDO.

58. In addition, UNCTAD is implementing a project on "African Commodity Sector Diversification through South-South Cooperation in Trade and Investment" under which specific activities entail an exchange of information with ITC and the Office of the Special Coordinator for Least Developed, Land-locked and Island Developing Countries. Of the 13 sub-Saharan countries participating in study visits to South-East Asia in December 1996, six were LDCs.

Notes

1/ Report of the Commission on Enterprise, Business Facilitation and Development on its first session, TD/B/44/2-TD/B/COM.3/4, annex I.

2/ See: Report of the Commission on Enterprise, Business Facilitation and Development on its first session (TD/B/44/2), Geneva, 1997, pp. 7-13.

3/ Ibid., p. 22.

4/ See: UNCTAD document TD/B/COM.3/EM.2/L.1.

5/ See: UNCTAD document TD/B/COM.3/EM.2/L.1.

6/ See UNCTAD, Report of the Commission on Enterprise, Business Facilitation and Development on its first session (TD/B/44/2-TD/B/COM.3/4), annex I, paragraphs 3 (ii) and 5. The document entitled "An overview of activities in the area of inter-firm cooperation: A progress report" refers to examples drawn from different sectors and regions where inter-firm cooperation has contributed to technological capability-building and improved competitiveness.

7/ E. Dohlman, Raundi Halverson-Quevedo, "Globalization and development", The OECD Observer, No. 204, 1997.

8/ UNCTAD, World Investment Report 1997 (UNCTAD/WIR 1997), pp. 12-13.

9/ See Porter, M.E., *The Competitive Advantage of Nations*, Macmillan, London and Basingstoke, 1990, pp. 148-9.

10/ Pyke, F., Becattini, G. and Sengenberger, W., Industrial Districts and inter-firm cooperation in Italy, ILO Publications, 1990, London. See also: UNCTAD, "Technological dynamism in industrial districts: An alternative approach to industrialization in developing countries?", Papers and Synthesis of Discussions of a Symposium on Industrial Districts and Technology (UNCTAD/ITD/TEC/11).

11/ Prime areas for study have been Silicon Valley, California, and Route 128, Ma., United States of America; Baden-Württemberg, Germany; the Prato and Emilia Romagna regions of Italy; and Jutland in Denmark.

12/ Lynn K. Mytelka, "Strategic alliances", in F.D. Hampson and C.J. Mande (Editors), Global Jeopardy, Ottawa, Carleton University Press, 1993, p. 107-109.

13/ UNCTAD, "Emerging forms of technological cooperation: The case for technology partnership" (UNCTAD/DST/13), 1996, p. 42.

14/ Ibid, p. 29.